

Hexaware

Turnaround at mid-cycle

- Initiate coverage with OW and Jun-10 PT of Rs125:** Hexaware is a mid-tier IT services company with a focus on banking, financial services and insurance (BSFI), and emerging verticals such as professional services. We believe Hexaware can sustain the sharp margin turnaround shown over the past quarter. Moreover, we expect volume growth going forward driven by increased penetration with existing clients. We expect an EPS CAGR of 22% over FY09-11 to lead to a P/E re-rating over the next 9-12 months.
- Delivering profitable growth in trying times; we expect revenue growth to bolster margins:** Hexaware saw revenue pressure from key clients during the downturn, but has managed to maintain its profitability by controlling wage costs and cutting down G&A expenses. Hexaware's quarterly revenue run-rate fell by ~20% from ~\$68MM to ~\$54MM over the past 7-8 quarters, but the company has been able to increase its bottom line, leading to EPS going up by 25% during the same period. We believe the company can maintain its margin gains helped by volume growth in coming quarters.
- Estimates:** We believe that recovering revenues across customers will drive a healthy 8% revenue CAGR over FY09-11. Moreover, we expect margins to remain steady and forex hedging losses to subside over the next 2-3 quarters, leading to an EPS CAGR of 22% over FY09-11.
- Valuation, price target and risks:** Hexaware is currently trading at FY10E P/E of 9x (ex-cash FY10E P/E of 7x). Our Jun-10 price target of Rs125 is based on 10x one-year forward EPS, a ~20% discount to mid-tier players such as Patni and MindTree—primarily due to a lower top-line growth rate. We believe sustained execution and cost controls over the next 9-12 months will lead to a P/E re-rating. Key downside risks to our price target include any loss of a large customer, vendor consolidation going against mid-size companies, and a high wage inflation scenario.

Initiation Overweight

HEXT.BO, HEXW IN

Price: Rs83.30

Price Target: Rs125.00

India eBusiness/IT Services

Nishit Jasani^{AC}

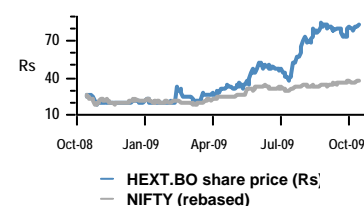
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Price Performance



Reuters: HEXT.BO; Bloomberg: HEXW IN

Rs MM, YE Dec	FY08	FY09E	FY10E	FY11E		FY08	FY09E	FY10E	FY11E		
Sales	11,520	10,269	10,504	11,941	Y/E BPS (Rs)	46.1	55.0	61.6	69.9	52-week range (Rs)	17.0-89.9
Operating profit	943	1,686	1,680	1,866	ROE (%)	8.6	15.8	15.8	18.0	Shares outstg	144MM
EBITDA	1,227	1,966	1,979	2,183	ROIC (%)	14.4	27.7	28.5	31.2	Date of price	Oct 14, 09
Pre-tax profit	745	1,312	1,576	2,159	Qtr EPS (Rs)	1Q	2Q	3Q	4Q	Avg daily volume	1.74MM
Net profit	590	1,147	1,324	1,700	EPS (FY08)	1.5	0.7	0.8	1.2	Avg daily value (US\$)	2.1MM
EPS (Rs)	4.1	8.0	9.2	11.8	EPS (FY09E)	1.2	2.8	1.9	2.1	Index (Sensex)	17,231
P/E (x)	20.2	10.4	9.0	7.0	EPS (FY10E)	1.8	2.1	2.3	3.0	Free float	71%
EV/EBITDA (x)	9.1	5.7	5.6	5.1	Local	1M	3M	12M		Div yield FY08 (%)	1.0
P/BV (x)	1.8	1.5	1.3	1.2	Abs. perf.(%)	1.8	113.6	224.9		Exchange rate	Rs46.1/US\$1
Cash	2,849	4,218	5,280	6,618	Rel. perf.(%)	-4.5	89.3	174.8		Market cap (US\$)	258.5MM
										PT (Jun-10)	Rs125

Source: Company data, Bloomberg, J.P. Morgan estimates.

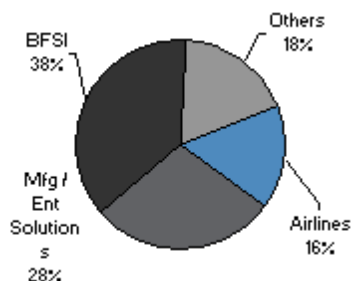
See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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Company description

Hexaware Technologies Limited specializes in providing its clients with management and technology solutions in the enterprise applications software area. The company derives the majority of its revenue from the BFSI vertical with global banks as customers. Other important verticals are travel/transportation (mainly airlines) and other emerging verticals, including professional service providers such as audit firms.

Revenue



Source: Company data, Bloomberg.

EPS: J.P. Morgan vs. consensus

	J. P. Morgan	Consensus
FY09E	8.0	6.3
FY10E	9.2	7.4
FY11E	11.8	10.8

Source: Bloomberg, J. P. Morgan estimates.

P&L sensitivity metrics

	EBITDA impact (%)	EPS impact (%)
Sales volume growth assumption (FY11E: 15%)		
Impact of each 2%	3.9%	4.0%
Gross margin assumption (FY11E: 41%)		
Impact of each 1%	5.2%	5.2%
Capacity utilization assumption (FY11E: 65%)		
Impact of each 5%	21.1%	21.3%
Debt/equity assumption (FY11E: 0%)		
Impact of each 10%	0%	1.1%

Source: J. P. Morgan estimates

Price target and valuation analysis

We have a Jun-10 price target of Rs125 based on 10x one-year forward Jun-10E EPS. This is at a ~20% discount to mid-tier firms such as Patni and MindTree—primarily due to a lower top-line growth rate. Our Jun-10 DCF fair value estimate is Rs120 per share. Our long-term assumptions are a 10-year revenue CAGR of 6%, EBIT margin of 12%, ROIC of 20% and WACC of 13%.

Risk-free rate:	6.0%
Market risk premium:	8.5%
Beta:	0.85
Debt/equity:	0.0%
Cost of debt:	12%
Terminal “g”:	4.0%

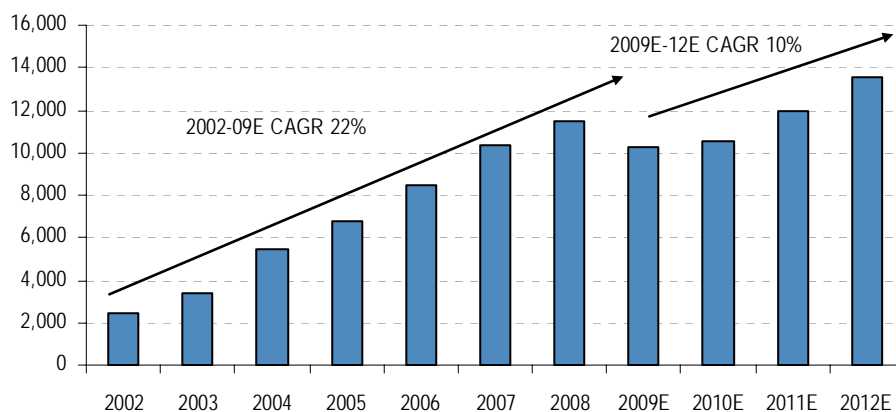
Key downside risks to our price target include loss of a large customer, vendor consolidation going against mid-size companies with increased polarization towards large companies, and a high wage inflation scenario.

Investment thesis: Key positives

Growth to resume going forward: Top clients to contribute to higher volumes

Hexaware is seeing stability of volumes from its top customers – specifically 3-4 of its top 10 customers are increasing volume at Hexaware. With the overall macro recovery trend and Hexaware's specific focus on BFSI and emerging verticals (like professional services), we believe the company will see revenue growth stabilize for the next 1-2 quarters, with growth resuming from C010 when the new budgets are in place. We expect 8%/14% US\$-based revenue growth in CY10/11 with stable margins leading to EPS growth of 15%/28% in CY10/11.

Figure 1: Revenue growth profile



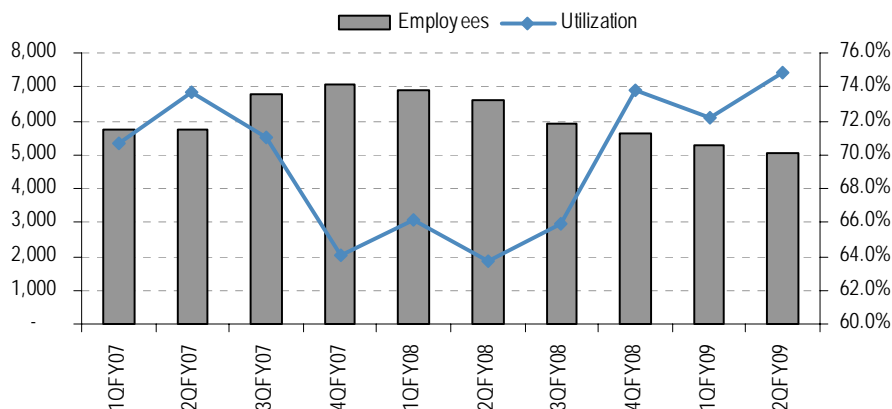
Source: Company, J.P. Morgan estimates.

Aggressively exercised margin levers: Volume growth benefit to be magnified

Hexaware has been able to manage margins through aggressive employee rationalization during the downturn all the while increasing utilization across projects. As a result, despite the fall in revenues, the company has been able to aggressively increase margins.

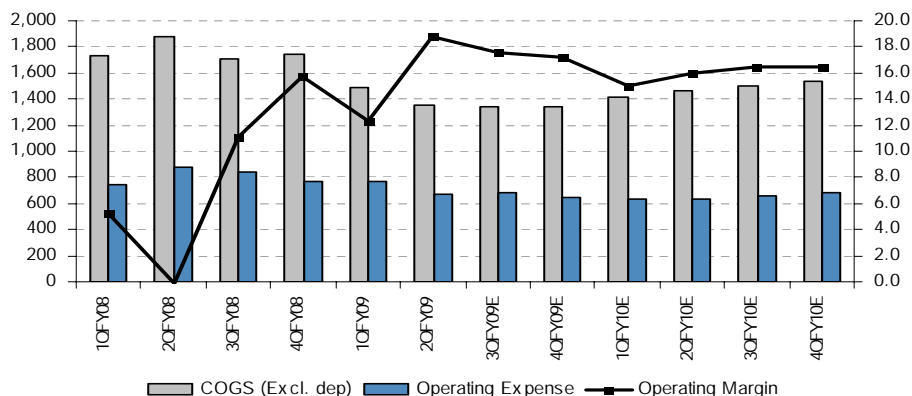
Moreover, the company cut wages for a period of nine months this year to deal with the fall in revenues (wages account for ~70% of costs). We expect wage inflation to return in CY10 and impact gross margins by 200-300bp. However, we expect revenue growth to partly offset the margin pressure.

Figure 2: Utilization increase compensated for lower employee count, benefiting margins



Source: Company reports.

Figure 3: Employee costs (COGS) and operating expenses control have led to admirable improvement in margins



Source: Company reports, J.P. Morgan estimates.

Transition to fixed-price projects

Over the past 3-4 quarters Hexaware has increasingly moved to fixed-price projects – this helps improve margin prospects with potentially higher utilization and higher offshore proportion on existing and new projects.

Key concerns

High client concentration

Hexaware has high client concentration, with its top 10 clients contributing to 50% of revenues (vs. ~25-30% for top-tier companies). The company did see a decline in revenues from the top 10 customers during the budget setting during early 2009; we believe the company is now seeing stability with three of the top 10 customers actually seeing volume increase. Moreover, vendor consolidation risks have abated and while industry polarization in favor of large caps continues, we don't expect Hexaware to see any significant impact going forward.

Forex position is likely to dampen earnings in the near term

Hexaware has an outstanding forex hedging contract of ~US\$125 million to cover revenues for the next five quarters at an average contracted rate of ~Rs41/\$. These forex positions will lead to losses being booked in the income statement (as an MTM difference between the contracted rate and quarter end rate) over the next five quarters, dampening net profit growth.

Financials

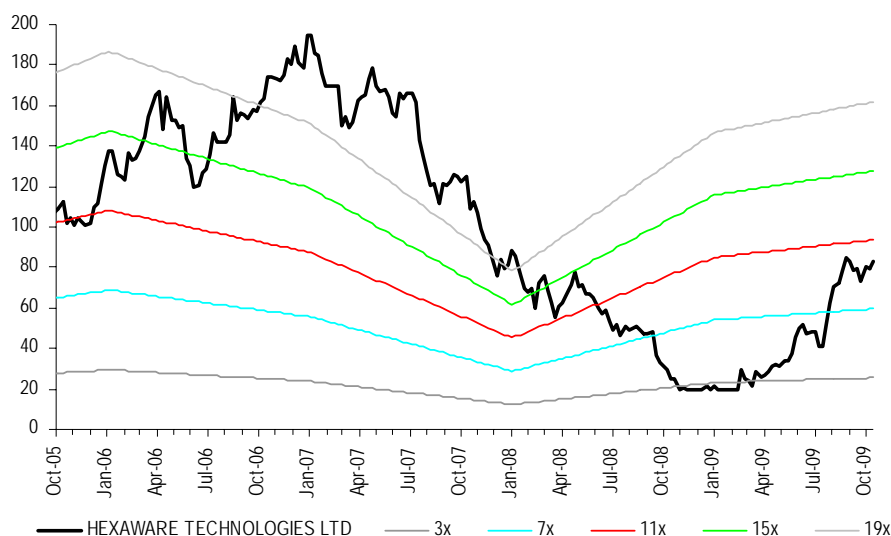
Table 1: Hexaware—P&L account

Rs in millions, year-end December

	FY08				FY09E				2006	2007	2008	2009E	2010E	2011E	2012E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE							
Revenue	2,670	2,845	2,946	3,059	2,643	2,591	2,545	2,490	8,482	10,398	11,520	10,269	10,504	11,941	13,547
Gross profit	879	878	1,167	1,250	1,090	1,163	1,133	1,076	2,964	3,493	4,174	4,462	4,292	4,821	5,460
EBIT	141	-4	326	480	325	487	446	428	1,122	968	943	1,686	1,680	1,866	2,107
EBITDA	204	80	393	550	392	558	516	500	1,322	1,201	1,227	1,966	1,979	2,183	2,444
Pre tax profit	244	129	126	246	205	442	311	354	1,363	1,232	745	1,312	1,576	2,159	2,466
Net profit	209	95	115	171	173	396	271	308	1,242	1,099	590	1,147	1,324	1,700	1,899
EPS (Rs)	1.5	0.7	0.8	1.2	1.2	2.8	1.9	2.1	9.8	8.0	4.1	8.0	9.2	11.8	13.2
Margins (%)															
Gross margin	32.9	30.9	39.6	40.9	41.2	44.9	44.5	43.2	34.9	33.6	36.2	43.4	40.9	40.4	40.3
Operating margin	5.3	-0.1	11.1	15.7	12.3	18.8	17.5	17.2	13.2	9.3	8.2	16.4	16.0	15.6	15.6
EBITDA margin	7.6	2.8	13.3	18.0	14.8	21.5	20.3	20.1	15.6	11.5	10.7	19.1	18.8	18.3	18.0
Net margin	7.8	3.4	3.9	5.6	6.5	15.3	10.6	12.4	14.6	10.6	5.1	11.2	12.6	14.2	14.0
Sequential growth (%)															
Revenue	3.0	6.6	3.6	3.8	-13.6	-2.0	-1.8	-2.1	25.0	22.6	10.8	-10.9	2.3	13.7	13.4
Gross profit	15.0	-0.1	32.9	7.1	-12.8	6.7	-2.6	-5.0	23.9	17.8	19.5	6.9	-3.8	12.3	13.3
EBIT	17.4	-102.7	8,558.2	47.4	-32.3	49.8	-8.4	-3.9	29.5	-13.7	-2.7	78.9	-0.4	11.0	12.9
EBITDA	12.7	-60.7	390.2	40.0	-28.7	42.3	-7.5	-3.2	21.6	-9.2	2.2	60.3	0.6	10.3	11.9
Net profit	-3.7	-54.4	20.8	48.5	1.2	128.9	-31.7	13.7	35.8	-11.5	-46.3	94.3	15.4	28.4	11.7
EPS	-3.7	-54.1	19.6	48.5	1.2	130.4	-32.1	13.7	26.6	-18.5	-48.5	94.3	15.1	28.4	11.7

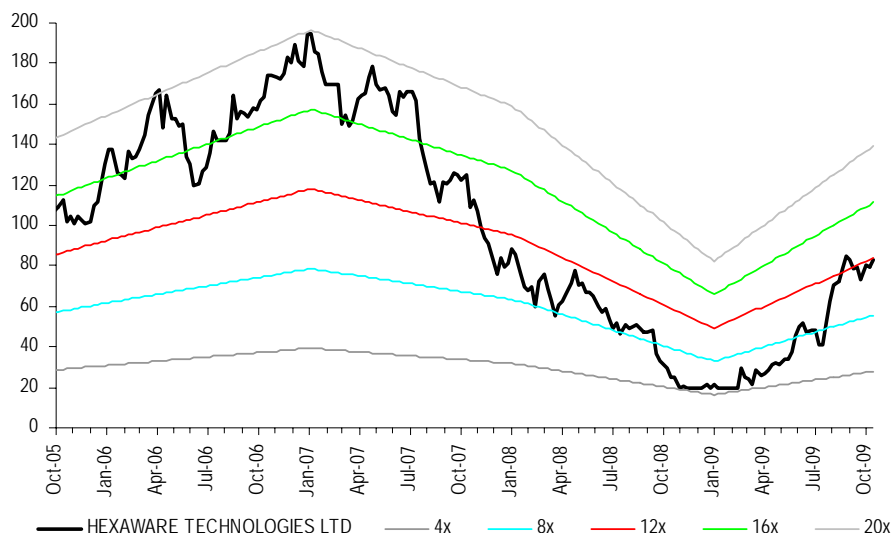
Source: Company reports, J.P. Morgan estimates.

Figure 4: Hexaware—Forward one-year P/E



Source: Company reports, J.P. Morgan estimates.

Figure 5: Hexaware—Trailing one-year P/E



Source: Company reports, J.P. Morgan estimates.

Valuation and share price analysis

We use DCF-based cash flow and comparative P/E-based metrics to sector peers to value Hexaware. Our comparative P/E-based valuation yields a Jun-10 price target of Rs125, based on 10x one-year forward P/E and is largely in line with our DCF-based, Jun-10 fair value estimate of Rs120.

P/E comparison: Price target of Rs125

Table 2: P/E multiples

		Price (Rs) 14-Oct-09	Shares MM	Mkt cap US\$MM	EPS in LC			P/E			EPS CAGR FY09-11E
					FY09	FY10E	FY11E	FY09	FY10E	FY11E	
TCS	OW	595	1,957	25,246	26.4	31.5	36.3	22.5	18.9	16.4	17.3
Infosys	OW	2,260	573	28,089	102.0	106.0	126.3	22.1	21.3	17.9	11.2
Wipro Limited	OW	580	1,466	18,437	26.8	28.9	32.7	21.7	20.0	17.7	10.6
Satyam	N	109	1,176	2,778	10.6	4.3	11.7	10.3	25.2	9.3	4.8
HCL Tech	OW	305	671	4,438	18.0	18.1	28.2	17.0	16.8	10.8	25.3
Tech MH	OW	934	122	2,469	77.9	44.3	100.7	12.0	21.1	9.3	13.7
Patni	OW	423	128	1,177	34.1	32.9	36.9	12.4	12.8	11.5	4.0
Mphasis-BFL	OW	632	209	2,870	14.1	42.0	41.3	44.7	15.0	15.3	70.9
Mindtree	OW	572	39	488	7.9	44.6	51.0	72.8	12.8	11.2	154.8
Hexaware	OW	83	144	258	4.1	8.0	9.2	20.2	10.4	9.0	49.6

Source: Company reports, J.P. Morgan estimates. Note: Priced as of October 14, 2009. Note: For Hexaware, FY09=CY08 (year-end December).

DCF valuation: Jun-10 fair value estimate of Rs120

Our Jun-10 DCF fair value estimate is Rs120 per share. Our long-term assumptions are a 10-year FY08-FY18E revenue CAGR of 6.4%, EBIT margin of 12%, ROIC of 20% and WACC at 13%. We expect the stock to trade in line with our DCF fair value estimate.

Revenue

We have explicit quarterly revenue forecasts until FY12. We expect 10% revenue CAGR over FY09-12. Our 10-year revenue growth forecast is 6.4% and terminal growth assumption is 4%.

Operating and NOPAT margins

Hexaware's operating margins should rise sharply and stabilize at around 16% over the next couple of years from around 8% in 2008 due to. In the long term, we expect Hexaware's margins to remain at ~12%. Our long-term NOPAT margin assumption is 8%.

Asset turns

We expect asset turns to increase from FY09 levels in the near term explicit forecast period till FY12. Our longer terms fixed asset turn assumption is on the conservative side at FY08 value of 2.5x.

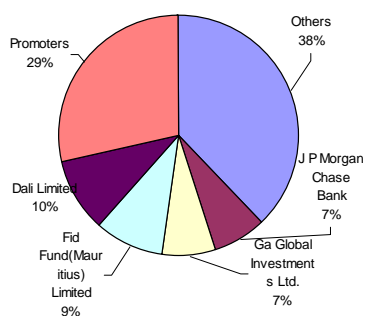
Cost of capital

We assume a cost of capital of 13.2%, based on cost of equity of 13.2% and cost of debt of 12%. The cost of equity is based on a risk-free rate of 6%, market risk premium of 8.5% and beta of 0.85.

ROIC

Putting all the above together, we get a long-term ROIC of 20%.

Figure 6: Shareholding pattern



Source: Company reports.

Hexaware: Company profile

Hexaware specializes in providing its clients with management and technology solutions in the enterprise applications software area. The Company also operates as an offshore-based vendor for the ERP and CRM software products of PeopleSoft, Inc. of U.S.A. Historically company had a strong revenue profile with revenue CAGR of 22% from 2002-2008. We expect FY09E-12E CAGR to be 10%.

Management

Table 3: Management team

Name	Designation	Profile
Atul K Nishar	Chairman/Founder	Atul K. Nishar has been a Member of Management Council of Hexaware Technologies Ltd. since August 21, 2004. Mr. Nishar Founded Hexaware Technologies Ltd. and serves as its Executive Chairman. He served as the Chairman of Aptech Ltd. until March 10, 2003. He has been associated with NASSCOM for several years in various capacities and was Chairman of NASSCOM for 2000. He continues to be on the Executive Council of NASSCOM. He Co-Founded Infinity Technology Investments Pvt. Ltd. - a leading Venture Capital Fund. He is a Director of Indo-American Chamber of Commerce.
P R Chandrasekar	Vice Chairman/ CEO: Global	P. R. Chandrasekar has been Chief Executive Officer of Hexaware Technologies Ltd., since June 2008. Mr. Chandrasekar served as President, Americas and Europe of Wipro Ltd., and also served as its Head of American operations.
Anirban Chakraborty	Senior VP & Global Head - Emerging Markets	Anirban leads the Manufacturing, Healthcare, all Non BFSI and Non TTHL businesses globally at Hexaware. Anirban brings over 19 years of experience in IT services, business solutions and building relationships with MNCs and local market leaders in various industry verticals in North America & Asia Pacific.
Deepak Rao	Senior VP & Global Head-BFSI	Deepak heads the global BFSI business at Hexaware. He joins Hexaware from Siemens Information Systems Ltd where he was Vice President - Financial Services Vertical and was spearheading the company's growth in US, UK and India.
Deependra Chumble	Chief People Office	Deependra brings with him a vast leadership and multi cultural experience of over 23 years in the Human Resources function with an in depth industry knowledge of Hotels, Banking, IT and ITES. In the past, he has worked with companies such as Indian Hotels, ANZ Grindlays, HSBC, eFunds, IT 20, Morgan Stanley and JPMorgan.
Moorthi Chokkanathan	Executive VP & Global Head Enterprise Solutions	Moorthi was instrumental in building the Enterprise Solutions and HR-IT practices at Hexaware. He conceptualized and incubated HexaLab - Hexaware's Innovation center. He has over 24 years of experience in the software services and consulting field. Moorthi is a techno-commercial manager with experience in global firms, and has held senior positions in companies including Decision Technologies in the US, and GTE in Australia.
N Nataraj	Chief Information Officer	Nataraj has 18 years of industry experience in the field of Information Technology (IT), Information Systems (IS) and Security. Before Hexaware, he was the CIO of Aztecsoft where he was responsible for IT/IS/Security and Infrastructure Business. His earlier stints included working for organizations like Ericsson Software centre, India Wipro, and Hughes Software Systems in leadership positions.
Prateek Aggarwal	Chief Financial Officer	Prateek Aggarwal has over 17 years of experience in a diverse set of financial roles. Prior to Hexaware, Prateek was Head of Finance of the Software Division of HCL Technologies for the last 2.5 year. In his previous roles, he was with GE Capital International Services, leading the Financial Planning and Analysis function. He had a long tenure of 12 years with Hindustan Lever Ltd and he was the CFO of their Haircare SBU in his last assignment with them.

Source: Company website, BusinessWeek.

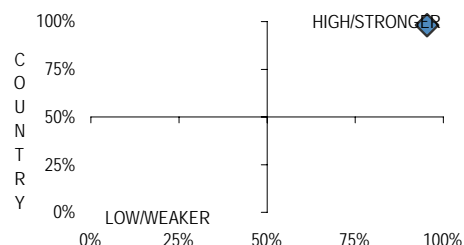
All Data As Of 13-Oct-09

Q-Snapshot: Hexaware Technologies Ltd.

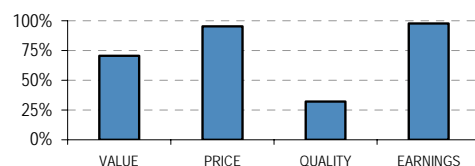
Quant Return Drivers (a Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country	vs Industry	Raw Value
Value			
P/E Vs Market (12mth fwd EPS)	79%	86%	0.6x
P/E Vs Sector (12mth fwd EPS)	87%	84%	0.5x
EPS Growth (forecast)	18%	22%	4.2%
Value Score	71%	77%	
Price Momentum			
12 Month Price Momentum	95%	92%	188.2%
1 Month Price Reversion	50%	31%	3.9%
Momentum Score	95%	91%	
Quality			
Return On Equity (forecast)	32%	36%	13.3%
Earnings Risk (Variation in Consensus)	41%	20%	0.14
Quality Score	32%	23%	
Earnings & Sentiment			
Earnings Momentum 3mth (risk adjusted)	97%	97%	918.4
1 Mth Change in Avg Recom.	33%	42%	0.00
Net Revisions FY2 EPS	95%	92%	100%
Earnings & Sentiment Score	98%	97%	
COMPOSITE Q-SCORE* (0% To 100%)	98%	95%	

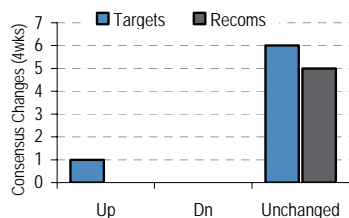
J.P. Morgan Composite Q-Score



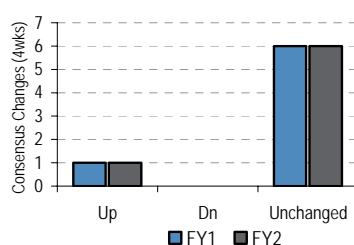
INDUSTRY
Quant Return Drivers Summary (vs Country)



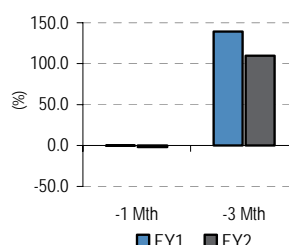
Targets & Recommendations**



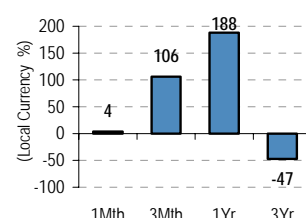
EPS Revisions**



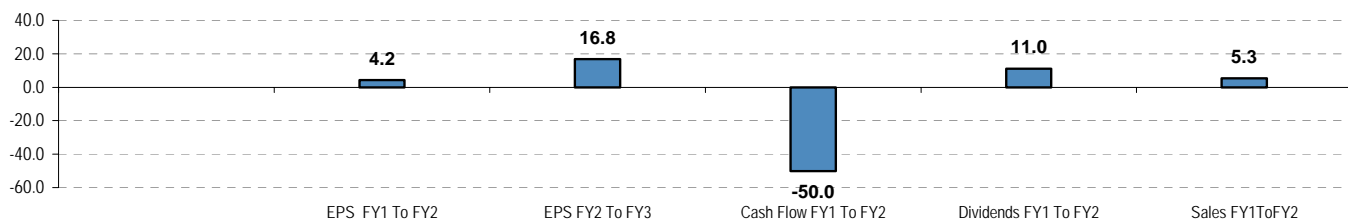
EPS Momentum (%)



Historical Total Return (%)



Consensus Growth Outlook (%)



Closest in Country by Size (Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score*
513250-IN	Jyoti Structures Ltd.	Engineering & Construction	266	0.26	12.5	60%
532622-IN	Gateway Distriparks Ltd.	Other Transportation	266	0.63	14.8	76%
531349-IN	Panacea Biotec Ltd.	Biotechnology	265	0.07	12.8	17%
532727-IN	Adhunik Metaliks Ltd.	Metal Fabrication	264	0.48	6.5	
500008-IN	Amara Raja Batteries Ltd.	Electrical Products	260	0.27	8.1	
532129-IN	Hexaware Technologies Ltd.	Packaged Software	255	0.57	9.4	98%
524372-IN	Orchid Chemicals & Pharmaceuticals Ltd.	Pharmaceuticals: Major	255	2.38	10.2	34%
500330-IN	Raymond Ltd.	Textiles	253	0.41	27.2	12%
500304-IN	NIIT Ltd.	Miscellaneous Commercial Services	250	4.40	16.3	59%
FSIN	Fushi Copperweld Inc.	Electrical Products	246	1.46	12.1	85%
500355-IN	Rallis India Ltd.	Chemicals: Agricultural	239	0.31	13.0	

Source: Factset, Thomson and J.P. Morgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>
Q-Snapshots are a product of J.P. Morgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'
Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the J.P. Morgan analysts' recommendation.

* The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe. ** The number of up, down and unchanged target prices, recommendations or EPS forecasts that make up consensus.

Hexaware: Summary of financials

Rs in millions, year-end December

Income statement					Ratio analysis						
	FY08A	FY09E	FY10E	FY11E	FY12E	%, year-end December	FY08A	FY09E	FY10E	FY11E	FY12E
Revenues	11,520	10,269	10,504	11,941	13,547	Gross Margin	36.2	43.4	40.9	40.4	40.3
Cost of Goods Sold	7,346	5,807	6,211	7,120	8,087	EBITDA margin	10.7	19.1	18.8	18.3	18.0
Gross Profit	4,174	4,462	4,292	4,821	5,460	Operating Margin	8.2	16.4	16.0	15.6	15.6
						Net Margin	5.1	11.2	12.6	14.2	14.0
SG&A Expenses	3,231	2,776	2,612	2,955	3,353						
Operating Profit (EBIT)	943	1,686	1,680	1,866	2,107	SG&A/Sales	28.1	27.0	24.9	24.8	24.8
EBITDA	1227	1966	1979	2183	2444						
Interest Income	177.4	246.7	233.2	293.4	359.1	Sales growth	10.8	-10.9	2.3	13.7	13.4
Interest Expense	0	0	0	0	0	Operating Profit Growth	-2.7	78.9	-0.4	11.0	12.9
Investment Income (Exp.)	-375.0	-621.5	-337.5	0.0	0.0	Net profit growth	-46.3	94.3	15.4	28.4	11.7
Non-Operating Income (Exp.)	0.0	0.0	0.0	0.0	0.0	EPS (Reported) growth	-48.5	94.3	15.1	28.4	11.7
Earnings before tax	745	1,312	1,576	2,159	2,466						
Tax	-155	-164	-252	-459	-567	Interest coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.
Net Income (Reported)	590	1147	1324	1700	1899	Net debt to total capital	n.m.	n.m.	n.m.	n.m.	n.m.
Net Income (Adjusted)	590	1147	1324	1700	1899	Net debt to equity	n.m.	n.m.	n.m.	n.m.	n.m.
INR											
EPS (Reported)	4.1	8.0	9.2	11.8	13.2	Asset Turnover	109.4	89.5	81.4	81.1	81.8
EPS (Adjusted)	4.1	8.0	9.2	11.8	13.2						
BPS	46.1	55.0	61.6	69.9	78.6	ROE	8.6	15.8	15.8	18.0	17.8
DPS	1.0	1.0	1.6	1.1	1.4	ROIC	14.4	27.7	28.5	31.2	34.2
Shares Outstanding (bn)	144	144	144	144	144	ROCE	10.4	18.6	16.2	15.6	15.3
Balance sheet					Cash flow statement						
	FY08A	FY09E	FY10E	FY11E	FY12E		FY08A	FY09E	FY10E	FY11E	FY12E
Cash and cash equivalents	2,849	4,218	5,280	6,618	7,954	Net Income	590	1,147	1,324	1,700	1,899
Accounts receivable	2,065	1,501	1,654	1,876	2,126	Depr. & Amortisation	284	280	298	318	337
Inventories	84	104	114	130	147	Change in working capital	1,098	148	212	229	143
Others	1,035	1,075	1,184	1,343	1,522	Other	0	0	0	0	0
Current assets	6,033	6,897	8,231	9,968	11,748	Cash flow from operations	1,972	1,575	1,834	2,247	2,379
LT investments	0	0	0	0	0	Capex	-1,505	-356	-400	-400	-400
Net fixed assets	4,498	4,574	4,676	4,758	4,821	Disposal/ (purchase)	0	0	0	0	0
Others	0	0	0	0	0	Cash flow from investing	-1,505	-356	-400	-400	-400
Total assets	10,531	11,471	12,907	14,726	16,569	Free cash flow	467	1,219	1,434	1,847	1,979
Liabilities						Equity raised/ (repaid)	-855	389	0	0	0
ST loans	0	0	0	0	0	Debt raised/ (repaid)	195	-3	0	0	0
Payables	3,711	3,355	3,839	4,465	5,053	Other	0	0	0	0	0
Others	0	0	0	0	0	Dividends paid	-169	-237	-373	-508	-644
Total current liabilities	3711	3355	3839	4465	5053	Cash flow from financing	-829	149	-373	-508	-644
Long term debt	195	192	192	192	192						
Other liabilities	0	0	0	0	0	Net change in cash	-362	1,368	1,062	1,339	1,335
Total liabilities	3906	3547	4031	4657	5245	Beginning cash	3,212	2,849	4,218	5,280	6,618
Shareholders' equity	6626	7925	8876	10068	11324	Ending cash	2,850	4,217	5,280	6,618	7,954

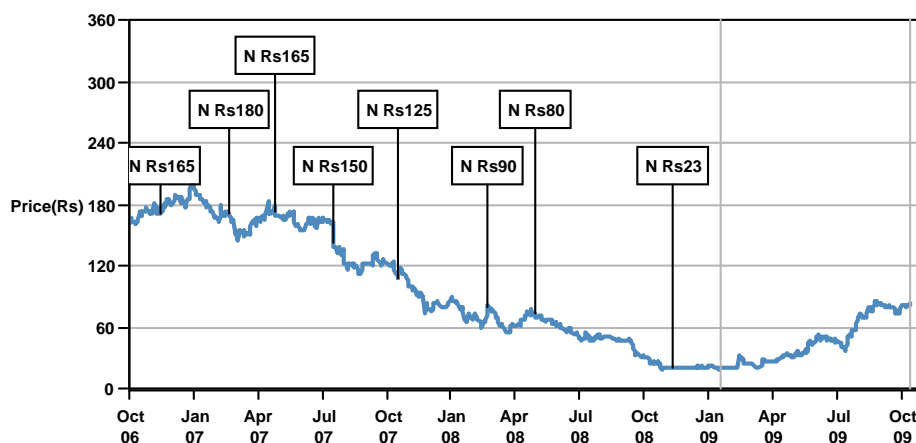
Source: Company reports, J.P. Morgan estimates.

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Hexaware (HEXT.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
13-Nov-06	N	171.55	165.00
19-Feb-07	N	171.35	180.00
25-Apr-07	N	174.05	165.00
19-Jul-07	N	142.75	150.00
18-Oct-07	N	108.75	125.00
22-Feb-08	N	79.55	90.00
29-Apr-08	N	73.80	80.00
11-Nov-08	N	21.20	23.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Jan 16, 2009 - Oct 14, 2009. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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